



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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## 19-17 Stormwater Enterprise Stormwater Fee Billing Process

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### **Purpose**

The purpose of this audit was to ensure the City stormwater fee billing process was functioning effectively and customers were billed accurately and timely. Our audit period was July 1, 2018 through May 31, 2019.

### **Highlights**

We conclude that the billing system implemented by the Stormwater Enterprise (SWENT) in 2018 was functioning effectively. Bills were accurate and processed in a timely manner.

On November 7, 2017, voters approved ballot issue 2A that created a dedicated stormwater fee to be used for stormwater infrastructure and maintenance. The City was responsible for billing non-residential parcels, and partnered with Colorado Springs Utilities to administer the monthly residential fee. Effective July 1, 2018, Utilities billed all residential customers, as long as there was a water service agreement associated with their Utilities account. The City billed residential customers that did not have a Utilities water service agreement, as well as, all non-residential customers. Our office issued a report on the Utilities Billing System Modifications for the City Stormwater Fee in November 2018.

### **Commendable Practices**

We commend SWENT for the successful implementation of billing within a condensed schedule to include:

- Coordinated City/Utilities Billing – Coordinated efficiently with Utilities staff to complete executive agreements while developing and implementing: accounting plans, a file transfer process, jointly coordinated public outreach efforts, bill file messaging, customer service programs, and strategies.
- Established business rules and processes for timely, accurate fee assessment – Completed assessment of over 30,000 parcels. Implemented billing rules and practices, a GIS system for billing and customer service, as well as, a quality assurance process for parcel fee reviews.
- Established billing and payment processes – Implemented a monthly billing process to include monthly tabular data transfer from the County Assessor, ownership transfers, new construction, and parcel reconfigurations. Contracted with a third-party biller to establish monthly billing procedures, customer service procedures, title company transactions, as well as, payment options for over 19,000 properties. Developed SWENT Customer Service Center and Business Administration Program functions.
- Implemented specific processes including frequently asked questions (FAQs) for handling customer calls related to the implementation of the fees. Implemented review processes for appeals, financial tracking, reporting, and collection processes.

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## 19-17 STORMWATER ENTERPRISE STORMWATER FEE BILLING PROCESS

### ***Test Procedures***

Our tests were designed to ensure accuracy, completeness, and no duplication with bills processed by Utilities. Test procedures included the following:

- Reconciled the total parcels to the El Paso County Assessor's records.
- Reviewed to ensure that no duplication between parcels billed by City and Utilities existed.
- Selected statistical samples of parcels over 5 acres and under 5 acres to achieve a 95% confidence level. Tested to ensure accurate calculation of developed versus undeveloped acreage in accordance with the ordinance.

Additionally, we reviewed payment trends, as well as, current and proposed collection processes. SWENT sent collection letters to customers with past due amounts. At the time of our review, a process to place liens on past due balances was under development.

### ***Background***

Per City Ordinance 17-69, fees for residential properties were to be \$5 per month per dwelling unit. Non-residential properties were billed \$30 per acre per month for parcels over 5 acres. Provision F of Chapter 14, Article 8 of the City Code allowed for undeveloped areas of substantial size to be removed from the billable area.

For SWENT purposes, a residential property was any individual single family unit and multi-unit residential housing property with four or less units. These properties were to be billed per unit. Non-residential properties include commercial, industrial, municipal, park land, federal, state, non-profit, or inspirational properties. Also master metered multi-unit residential buildings with five or more units (in accordance with the Federal Fair Housing Act) to include assisted living facilities are considered non-residential properties.

There were approximately 158,000 parcels per El Paso County Assessor records as of July 2018. Of those, approximately 132,200 were billed by Colorado Springs Utilities. The remaining parcels were reviewed by the SWENT staff and approximately 5,000 were found to be unimproved or de minimis. A parcel was considered to be de minimis if the resulting bill was less than \$2.50 a month, development for parcels over 5 acres was less than .05 acres, or the developed area for parcels under 5 acres was less than 5% of the total parcel area. Remaining parcels were reviewed and assessed a fee.

On a monthly basis, SWENT accessed the El Paso County Assessor's website and performed a reconciliation to ensure all parcels were billed by the City or Utilities. SWENT has developed a process to conduct a semi-annual review of parcels to determine if any changes in development have taken place that would require changes in fee assessments.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors.